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AFDC, FOOD STAMP, AND MEDICAID EXCHANGE

President Reagan has proposed that full responsibility for the AFDC and Food Stamp programs be transferred to the states and that Medicaid be fully federally funded beginning in fiscal year 1984. Details on this proposed exchange and on proposed legislative changes in the three programs prior to 1984 are not yet available, making it impossible to evaluate fully the aggregate or state-by-state effects. CBO has been requested to estimate the effects that a simple transfer of funding responsibilities would have had on states if it had been in place during fiscal year 1981 and to make projections for 1984. The 1984 projections are made by assuming the continuation of current policies affecting these programs and are based on CBO economic assumptions.

As shown in the attached tables, if the swap had taken place in fiscal year 1981, the states together would have lost $4.4 billion. The state share of Medicaid, which the federal government would assume, totaled $13.9 billion in fiscal year 1981; the federal shares of AFDC and Food Stamps, which the states would assume, totaled $18.3 billion. Only eight states would have had net gains.

If there are no further policy changes in any of the three programs, by 1984 the states would lose $1.5 billion under the swap. The state share of

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Medicaid outlays are projected to be $19.1 billion, and the federal shares of AFDC and Food Stamp outlays are projected to be $20.6 billion.

In fiscal year 1984, 38 states would lose funds, with aggregate losses totaling $4.6 billion. Only 13 states would gain funds, with aggregate gains totaling $3.1 billion. The states that gain are those with extensive Medicaid programs and relatively low average Food Stamp benefits. Low average Food Stamp benefits are associated with high average AFDC benefits.

The fiscal year 1981 estimates are based primarily on actual data, though for AFDC, expenditures in the final months of the fiscal year are estimated for some states. For Medicaid, data on federal obligations by state are used in conjunction with federal matching rates to estimate the states' share of Medicaid outlays.

The fiscal year 1984 estimates are based on CBO baseline projections. Baseline projections generally assume the continuation of policies in effect at the end of the first session of the 97th Congress. Future policy changes would affect total program costs and, hence, the estimated gain or loss to states. The gains and losses would also be affected by differences between actual and projected economic conditions between now and 1984 because spending in these programs is sensitive to changes in the economy.

Other assumptions underlying the fiscal year 1984 estimates are that the distribution of spending across states for the three programs is unchanged from the current distribution. Geographic differences in the effects of program changes introduced in the 1981 reconciliation act may affect these distributions, as may demographic shifts or geographic differences in economic recovery. The Food Stamp Program is treated as if it were an entitlement.

These estimates do not reflect all aspects of the Administration's proposal. First, the Administration is apparently planning to propose further cuts in AFDC and Food Stamps, which would reduce the net loss or increase the net gain to states. Second, if the Medicaid program were altered after it was fully federally funded, for example by evening eligibility and benefits across states, some states might choose to restore benefits at their expense while some states might choose to cut other health programs.

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POTENTIAL FISCAL FLOWS IN MILLIONS OF DOLLARS - FISCAL YEAR 1981.

	- STATE - SHARE - MEDICAID	FOODSTAMPS	FEDERAL SHARE OF AFDC	FOODSTAMPS * PLUS ** AFDC	NET TO * STATES *
TOTALS ----------	13944	10294	8054	18348	-4404
ALABAMA	89	311	64	375	-286
ALASKA	26	33	20	53	-28
ARIZONA	0	134	26	160	-160
ARKANSAS	84	148	41	189	-105
CALIFORNIA	2005	657	1467	2124	-119
COLORADO	112	92	54	146	-34
CONNECTICUT	205	75	110	185	20
DELAWARE	31	29	18	47	-16
DIST OF COLUMBIA	85	50	53	103	-18
FLORIDA	221	526	244	770	-549
GEORGIA	193	325	137	462	-269
HAWAII	64	72	50	122	-58
IDAHO	21	36	17	53	-32
ILLINOIS	802	527	441	968	-166
INDIANA	210	213	94	306	-96
IOWA	126	80	94	174	-48
KANSAS	110	55	53	108	2
KENTUCKY	122	285	112	397	-275
LOUISIANA	142	290	105	395	-253
MAINE	50	73	41	114	-64
MARYLAND	254	183	127	310	-56
MASSACHUSETTS	579	201	302	503	76
MICHIGAN	707	419	637	1057	-350
MINNESOTA	316	90	149	239	77
MISSISSIPPI	61	245	53	297	-236
MISSOURI	171	194	127	320	-149
MONTANA	26	24	14	38	-12
NEBRASKA	60	33	31	64	-4
NEVADA	36	23	10	33	3
NEW HAMPSHIRE	33	29	18	47	-14
NEW JERSEY	439	298	325	623	-184
NEW MEXICO	32	95	36	131	-100
NEW YORK	3085	928	951	1879	1207
NORTH CAROLINA	168	288	116	404	-236
NORTH DAKOTA	25	13	11	24	1
OHIO	516	533	381	914	-398
OKLAHOMA	137	90	69	160	-22
OREGON	100	141	75	215	-116
PENNSYLVANIA	697	520	479	998	-301
RHODE ISLAND	79	42	45	88	-9
SOUTH CAROLINA	89	224	62	286	-197
SOUTH DAKOTA	21	23	13	37	-16
TENNESSEE	145	358	70	428	-283
TEXAS	548	641	115	756	-208
UTAH	33	32	37	69	-36
VERMONT	25	23	28	51	-26
VIRGINIA	196	211	111	322	-126
WASHINGTON	224	142	137	280	-56
WEST VIRGINIA	47	128	44	172	-125
WISCONSIN	392	104	234	338	54
WYOMING	8	8	5	13	-5

4

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($MILLIONS)

	FY84 STATE -MEDICAID-	FY84 FED -FOODSTAMPS-	FY84 FED -AFDC-	FOODSTAMPS PLUS AFDC	NET TO STATES
TOTALS ----------	19083	12083	8510	20593	-1509
ALABAMA	137	364	68	432	-295
ALASKA	35	39	22	60	-26
ARIZONA	0	157	29	186	-186
ARKANSAS	116	173	43	217	-100
CALIFORNIA	2770	770	1551	2322	448
COLORADO	157	108	58	165	-8
CONNECTICUT	286	88	115	204	82
DELAWARE	40	34	19	53	-13
DIST OF COLUMBIA	128	59	56	115	12
FLORIDA	320	617	259	876	-556
GEORGIA	270	382	144	526	-255
HAWAII	88	85	52	137	-50
IDAHO	32	43	18	60	-28
ILLINOIS	1002	626	463	1089	-87
INDIANA	329	250	99	349	-19
IOWA	169	94	99	193	-24
KANSAS	145	64	56	120	25
KENTUCKY	180	334	118	452	-273
LOUISIANA	259	340	111	451	-192
MAINE	77	85	43	128	-51
MARYLAND	341	215	133	348	-7
MASSACHUSETTS	744	236	317	554	190
MICHIGAN	1005	492	671	1163	-158
MINNESOTA	482	105	157	262	219
MISSISSIPPI	92	287	55	342	-250
MISSOURI	240	227	134	361	-120
MONTANA	37	28	15	43	-5
NEBRASKA	80	39	32	72	8
NEVADA	52	27	11	38	15
NEW HAMPSHIRE	51	34	19	53	-2
NEW JERSEY	612	349	344	693	-81
NEW MEXICO	49	112	38	150	-101
NEW YORK	3998	1088	1013	2101	1897
NORTH CAROLINA	249	337	122	460	-211
NORTH DAKOTA	39	15	11	27	12
OHIO	719	625	400	1025	-306
OKLAHOMA	193	106	74	179	14
OREGON	138	165	81	246	-108
PENNSYLVANIA	965	610	506	1116	-151
RHODE ISLAND	105	50	47	97	8
SOUTH CAROLINA	118	263	65	328	-210
SOUTH DAKOTA	32	27	14	41	-9
TENNESSEE	231	420	74	494	-263
TEXAS	705	753	124	876	-171
UTAH	47	38	40	77	-31
VERMONT	35	27	29	56	-21
VIRGINIA	283	247	117	365	-81
WASHINGTON	275	167	146	313	-38
WEST VIRGINIA	64	150	46	196	-132
WISCONSIN	549	121	246	367	181
WYOMING	14	10	5	15	-1
TOTALS (STATES)	19083	12083	8510	20593	-1509